

Program Legislative Budget

The following table summarizes the legislative budget proposal for the program by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2004	PL Base Adjustment Fiscal 2006	New Proposals Fiscal 2006	Total Leg. Budget Fiscal 2006	PL Base Adjustment Fiscal 2007	New Proposals Fiscal 2007	Total Leg. Budget Fiscal 2007	Total Leg. Budget Fiscal 06-07
FTE	109.71	0.00	6.25	115.96	0.00	8.25	117.96	117.96
Personal Services	5,028,451	345,100	225,329	5,598,880	344,837	283,909	5,657,197	11,256,077
Operating Expenses	2,202,460	(4,619)	59,075	2,256,916	(4,283)	42,231	2,240,408	4,497,324
Equipment	8,759	0	0	8,759	0	0	8,759	17,518
Grants	291,663	0	0	291,663	0	0	291,663	583,326
Benefits & Claims	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$7,531,333	\$340,481	\$284,404	\$8,156,218	\$340,554	\$326,140	\$8,198,027	\$16,354,245
General Fund	1,910,520	158,728	134,468	2,203,716	158,420	155,336	2,224,276	4,427,992
State/Other Special	255,057	942	15,468	271,467	927	15,468	271,452	542,919
Federal Special	5,365,756	180,811	134,468	5,681,035	181,207	155,336	5,702,299	11,383,334
Total Funds	\$7,531,333	\$340,481	\$284,404	\$8,156,218	\$340,554	\$326,140	\$8,198,027	\$16,354,245

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Legislative Budget Analysis, B-114

Funding

The Quality Assurance Division is funded primarily from federal funds (71 percent of the base budget funding and 70 percent of the 2007 biennium appropriation). General fund supports about a fourth of division expenditures and state special revenue supports about 4 percent in FY 2004 and FY 2006, rising slightly to 7 percent in FY 2007 due to implementation of the Medicaid Payment Error Rate Program (PERM).

General fund supports the full cost of radiological equipment testing, the state match for Medicaid and Title IV-E (foster care) eligible costs, a portion of child care licensure, and a portion of division administration.

State special revenue includes alcohol taxes allocated to DPHHS, lien and estate recoveries for Medicaid services, and indirect funds. Alcohol taxes fund staff and contracted services for chemical dependency program licensure. Lien and estate funds pay for contracted services to pursue recoveries for the cost of Medicaid funded nursing home services. The contractor is paid approximately 20 percent of collections.

The largest source of federal funds is comprised of federal reimbursement for overhead costs that are allocated among federal funding sources depending on staff time spent on each federal program. Federal indirect cost recovery accounts for about 17 percent of total program funding. Medicare funding supports 18 percent of base budget costs, declining slightly to 15 percent each year of the 2007 biennium. Federal Medicaid matching funds support 13 percent of FY 2004 costs rising to 14 percent in FY 2007.

There are nine separate federal funding sources in the Quality Assurance Division. Some federal sources support more than one function. For instance, Medicaid funds support: 1) third party (insurance and private pay) recovery; 2) the surveillance, utilization, and review unit; 3) the nurse aide registry for nursing homes; and 4) the Department of Justice fraud investigation contract. Medicaid and Medicare funds support certification of services such as nursing home and home health care services. Medicare CLIA (clinical laboratory improvement amendments) pays for review of some laboratories in order to qualify for federal funding. The rural hospital flexibility grant supports grants and other activities for local hospitals to maintain critical access hospital status. Childcare funding supports licensure of childcare facilities.

Title IV-E pays the federal share of costs of licensing community residential facilities. Mammography funds pay for inspections of mammography equipment. Federal indirect funding represents the federal share of allocated administrative costs, such as those for fair hearings and administrative costs.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget adopted by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Legislative decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2006						Fiscal 2007				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					602,440					604,766
Vacancy Savings					(225,232)					(225,325)
Inflation/Deflation					(5,905)					(5,690)
Fixed Costs					1,286					1,407
Total Statewide Present Law Adjustments					\$372,589					\$375,158
DP 9999 - Statewide FTE Reduction	0.00	(32,108)	0	0	(32,108)	0.00	(34,604)	0	0	(34,604)
Total Other Present Law Adjustments	0.00	(\$32,108)	\$0	\$0	(\$32,108)	0.00	(\$34,604)	\$0	\$0	(\$34,604)
Grand Total All Present Law Adjustments					\$340,481					\$340,554

DP 9999 - Statewide FTE Reduction - The legislature reduced the personal services funding equal to the across-the-board personal services reduction that was made for the 2005 biennium by the 2003 Legislature. General fund was reduced about \$67,000 over the biennium.

New Proposals

New Proposals										
Fiscal 2006						Fiscal 2007				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 190 - Medicaid Payment Error Rate Measurement										
08	6.00	134,468	0	134,468	268,936	8.00	155,336	0	155,336	310,672
DP 3210 - Implement Medical Marijuana Act										
08	0.25	0	15,468	0	15,468	0.25	0	15,468	0	15,468
Total	6.25	\$134,468	\$15,468	\$134,468	\$284,404	8.25	\$155,336	\$15,468	\$155,336	\$326,140

DP 190 - Medicaid Payment Error Rate Measurement/OTO - The legislature approved the executive request for about \$0.6 million funds over the biennium to implement the new Medicaid Payment Error Rate Program (PERM), including funds for 8.00 FTE to perform retrospective reviews of Medicaid eligibility and medical necessity for services. This program is anticipated to be self-supporting through the savings generated by the reviews.

In 2002, Congress passed the Improper Payments Information Act. Beginning October 1, 2005, Centers for Medicare and Medicaid Services (CMS) will implement PERM, requiring every state to estimate improper payments in Medicaid and the Children's Health Insurance Program (CHIP). Each state must review annually a sample of Medicaid and CHIP payments, focusing on eligibility and medical necessity for services.

The Program Compliance Bureau of the Quality Assurance Division will administer PERM because the bureau manages similar programs that review Medicaid eligibility and provider payments, and recover payment for Medicaid services from private sources including insurance (third party liability).

If during the review a billing error is found and it is determined that charges have been over paid, the overpayment will be collected from the client or the service provider. (PERM does not provide for correction of under payments.) The collections will be returned to the original payor, which will reduce the general fund expenditures in the Medicaid program. If the error is determined to be an eligibility issue resulting from an agency error, no collection will be made. However, if the error is an eligibility issue resulting from a client error, the Quality Assurance Division will try to collect the overpayment.

DPHHS is projecting a recovery rate of 0.15 percent of total Medicaid expenditures. Total Medicaid expenditures estimated in the executive request are \$715 million for FY 2006 and \$751 million for FY 2007. The executive included cost savings due to PERM of \$0.3 million for FY 2006 and \$1 million for FY 2007. FY 2006 savings are lower than FY 2007 savings, because the program will not begin until October 1, 2005 and the executive budget estimated a six-month lag in collections.

The legislature appropriated about \$300,000 general fund and a like amount of federal funds over the biennium to support the program. The legislature also increased general fund revenue estimates by about \$190,000 to account for recovery of overpayments in the Medicaid program. The appropriation was approved as a one-time-only expenditure and restricted so that it could not be used for other purposes.

DP 3210 - Implement Medical Marijuana Act - The legislature added \$31,000 state special revenue over the biennium to fund administration of the Medical Marijuana Act, implemented through voter initiative November 2004 (I-148). The funds support 0.25 FTE and operating expenses to administer the program. The state special revenue is derived from a \$200 annual registration fee for persons authorized to use marijuana to help treat their medical conditions through the recommendation of a physician. The statute requires that the program be self-supporting and the division establishes the fee based on workload and number of persons requesting services. Legislators expressed concern that the fee be no greater than that required to administer the program and were assured by DPHHS staff that the program and rates would be administered with that goal in mind. Language was added to HB 2 to require the department to report to the Legislative Finance Committee and members of the Health and Human Services Joint Appropriation Subcommittee on implementation of the act and the amount of the fee.

Language

The legislature approved the following language for inclusion in HB2:

"Funds in Quality Assurance Division support the fair hearings processes administered by the department. The department shall report to the members of the 2005 Legislative Joint Appropriations Subcommittee on Health and Human Services by July 1, 2005, and every 6 months thereafter on the status of grievances and appeals with respect to meeting timelines established in applicable federal and state rules and statutes.

Quality Assurance Division includes \$30,936 each year of the biennium for implementation of the Medical Marijuana Act. The department shall report to the Legislative Finance Committee by September 1, 2005, and every 6 months thereafter regarding implementation of the Act, including review of the fee amount charged to implement the Act."